

## General Fund

### 2004 Adopted Budget

**Purpose:** One of four major budget categories, the general fund is the principal financial support for such basic city services as the police and fire departments, parks and recreation, and public works (i.e., streets, bridges, engineering and traffic). The major financing sources for this fund are property taxes, local government aid, franchise fees, and other revenues not dedicated to a specific purpose. The tables and graphs on the following pages detail the spending and financing plan adopted for this fund in 2004.

#### **Financing Highlights:**

The major financing sources for this fund are:

- Property taxes - 26.9%
- State aids (incl. Local Government Aid) - 37.0%
- Franchise fees - 11.5%
- Other revenues, aids, and user fees - 24.6%

From 1994 through 2003, the City property tax levy has been kept equal to or less than the levy of the prior year, so other revenues, aids and user fees have financed a slightly larger portion of the general fund budget. In 1994, property taxes contributed to 32.4 percent of the budget and other revenues and fees supplied 12.2 percent. From 1994, through 2002, state aids, at about 45 percent and franchise fees at 10 percent, have stayed fairly consistent with respect to their level of general fund financing. Major sources for the growth since 1994 in other revenues have been interest earnings, fine revenues, paramedic fees, and the use of fund balances.

**Certified Local Government Aid (LGA):** The nature of the state's economy, and the State of Minnesota's fiscal issues has had a tremendous impact on the City's reliance on State provided local government aid to cities (LGA). Saint Paul's portion of State LGA has been reduced from a certified level for 2003 of \$76,129,865 to a revised level for 2003 of \$63,082,264. St. Paul's LGA has been further reduced for 2004 to \$56,488,168. For 2004, it has been decided that LGA will be split between the City budget (\$51,209,335) and the Independent Library Agency (\$5,278,833). LGA for 2004 has been reduced by \$19,641,697, or 25% from the 2003 certified level.

**Property Tax Relief:** This budget continues the practice of using a planned portion of the fund balance for property tax relief. In 1994, the Mayor and City council initiated a tax policy to keep Saint Paul affordable. Property tax revenues for Saint Paul City government have been held constant, or have been reduced, in each of the last ten years. The 2004 City levy and Port Authority levy proposal will continue that trend for an eleventh year. \$9,855,007 of the city levy and \$9,661,771 of the city levy financing will be shifted to the Library Agency budget in 2004. The City and Library Agency will share equally in the burden of any uncollected payable 2004 levy.

**Fund Balance:** Dollars from the fund balance that have been designated for property tax relief again have been applied to finance this budget and avoid an increase to the City's property tax. The planned use of fund balance for the 2004 operating budget decreases from the 2003 level. The amount of fund balance used as financing for the 2004 adopted budget is 3.5 percent of the total budget (city government and library combined).

**City Franchise Fees:** The expected financing level will slightly increase in 2004, with the estimate based on original projections adjusted for 2002 current collections.

**General Fund Interest Earnings:** Interest estimates are projected to decrease again from 2003 to 2004 based on assumptions of investment balances and interest rates. The estimate has been increased to reflect some new interest producing approaches approved in the 2003 budget adjustment plan, commonly referred to as Round 1 and 2.

### **Spending Highlights:**

**The Independent Library Agency:** State legislation passed during the 2002 session provided the authority to allow the Saint Paul Public Library to become an independent unit, separate from Saint Paul City government. In 2003, the City Council adopted an ordinance creating the independent agency, effective for 2004. In accordance with the ordinance, the Independent Library Agency submitted its 2004 budget to the Mayor, and the Mayor presented the Library budget to the City Council. The Library budget will no longer be a part of the City budget, and is not reflected as part of the 2004 City budget in this book.

**Rate of Growth:** Saint Paul's general fund budget has been reduced by \$20,953,536, or 12%, from \$175,439,033 in 2003 to \$154,485,497 in 2004. However, the 2003 amount includes \$11,548,871 for Libraries, which is no longer a part of the 2004 budget amount. If Libraries are adjusted out of the 2003 figure, then Saint Paul's general fund budget has been reduced by \$9,404,665, or 5.8%, from \$163,890,162 in 2003 (as adjusted) to \$154,485,497 in 2004. To ensure expenditures and revenues remain in balance in the general fund, the City will continue to restrict spending in 2003 and 2004. The City revised its adopted 2003 budget downward in February and April of 2003 to reflect the budget reduction planning brought on by the State of Minnesota's Local Government Aid cut backs. These 2003 mid year spending reductions carried forward into many of the 2004 department budgets, and are described in the following department sections.

**Wage Increases:** Salaries and benefits are the most significant cost of the City's operating budgets. The 2004 base budget was increased for the anticipated growth in 2004 for salaries and fringes related to the bargaining process.

**City Council:** The City Council's adopted budget for 2004 is \$2,216,365, which is a very small reduction from the \$2,218,107 adopted 2003 budget. This budget reflects the Mayor's and Council's 2003 mid-year reductions to the Council's budget. The Council's 2004 budget proposal includes the reorganization of the clerical staff as approved by the City Council in 2003, and the elimination of four positions. For 2004, the City Council took action to restore funding of a full-time director level position and placed it in council contingency.

**Citizen Service Office:** The adopted budget for the Citizen Services' Office largely reflects the Mayor's and Council's 2003 mid-year reductions, and the shift of the Neighborhood Housing and Property Improvement unit to a new, separate department budget.

**City Attorney:** The adopted budget for the City Attorney's Office shows the Mayor's and Council's 2003 mid-year reductions. Those reductions eliminated four positions, three of which were vacant. The 2004 adopted budget is \$5,177,975, a 3.5% increase from the 2003 adopted budget. Spending increases are financed by an anticipated \$431,000 increase in prosecution surcharge revenues.

**Financial Services:** The adopted budget for the Office of Financial Services is \$1,911,085, which is an increase of \$234,536 over the adopted 2003 budget. The increase is due solely to a shift of the budgets of purchasing services and vendor outreach functions (\$471,794) into Financial Services from the Department of Technology and Management Services' budget, and makes other reductions in Financial Services much less obvious.

**Fire Department:** Fire's adopted general fund budget for 2004 is \$39,833,158, and is down \$1,310,754, or 3.1% from the adopted 2003 budget of \$41,143,912. The adopted budget maintains the revised 2003 staffing levels into 2004, and reflects 2003's mid year reductions. Some of the reduction in the 2004 budget is related to the 14 vacant fire fighters positions removed from the budget in the mid year 2003 reduction plan. \$300,000 of the reduction is a managed cutback in the collection fee the City pays to the emergency medical service billing agency. Plans for 2004 equipment purchases were reduced by \$239,344, because an ambulance replacement and some other equipment will be

purchased in 2003 instead of in 2004. Total 2004 paramedic fee financing estimates are increased by \$363,000. This budget approves a 6% increase in the EMS charge, raising it from \$870 to \$922. The budget also increases the estimate for certificate of occupancy fee collections by \$91,950, which will mean a revision to the city ordinance.

**Human Resources:** The general fund budget for Human Resources for 2004 is \$3,010,636, and is down \$781,925, or 20.6% from the 2003 budget of \$3,792,561 (adjusted for the Risk Management transfer). The adopted budget includes 2003's mid year reductions and reflects the merging of the risk management function into the Office of Human Resources. With the consolidation, funding for some positions has been removed from the budget. Overall, staff position FTEs have decreased from 44.1 in 2003 to 31.2 in 2004, a drop of 12.9 for the combined human resource and risk management units. City Council offset this a bit by adding funding for one workers' compensation staffer, to be charged to department fringe benefit budgets. Dollars are included in the budget for a major test for either police or fire candidates.

**Human Rights:** The adopted budget reflects the Mayor's and Council's 2003 mid-year reductions that eliminated three positions. The adopted budget eliminates an additional half position for 2004.

**License, Inspection, and Environmental Protection (LIEP):** The budget adopted for 2004 reflects a 41.9% decrease from the 2003 adopted budget. LIEP's 2004 adopted budget is \$735,975 and shows the shift of the entire zoning function budget out of the general fund to LIEP's special fund budget. Savings in salary dollars are recognized by filling one vacancy with multiple part-time staff, designed to maintain the current level of animal control services and flexible service hours with reduced financial resources.

**Libraries:** Beginning in 2004, the Library budget is no longer included in the City's general fund budget. The Library budget will be published as a separate budget book since the City Council approved the Library becoming an independent agency.

**Mayor's Office:** The Mayor's Office budget for 2004 is \$1,294,963, which is a 6.4% reduction from the \$1,382,816 adopted 2003 budget. The adopted budget largely reflects the Mayor's and Council's 2003 mid-year reductions that eliminated two positions and reduced miscellaneous spending items.

**Neighborhood Housing and Property Improvement (NHPI):** The separate budget for Neighborhood Housing and Property Improvement is new for 2004. The NHPI budget was formerly a part of Citizen Services. The adopted budget for Neighborhood Housing and Property Improvement reflects the Mayor's and Council's 2003 mid-year reductions. Additional resources are approved to continue to provide 14 annual neighborhood sweeps and to hire a law clerk to assist with the necessary court actions to close down problem properties. This added spending is supported by revenue from increased administrative fees for inspecting properties (from \$25 to \$50) and an increased fee for monitoring vacant buildings (from \$200 to \$250). The adopted budget also recommends that the City begin to charge for the cost of inspecting properties multiple times for the same code violation. The authority to charge for re-inspecting properties was granted to the City during the State's 2003 legislative session.

**Parks:** The Parks and Recreation Department's general fund budget is \$21,733,652, and is \$1,008,290, or 4.4% less than the 2003 adopted budget. This decrease primarily reflects reductions implemented by the Mayor and Council in mid-year 2003. Reorganization of several functions and restructuring of job titles contributed to the reduction. No recreation centers are scheduled to be closed as a result of the reductions. The adopted budget includes two sources of new revenue: \$80,000 from collaborations with community center organizations, and \$95,000 from voluntary visitor donations at Como Zoo.

**Planning and Economic Development:** The City's general fund has been eliminated as a financing source to support the PED operations fund. This reflects a loss of \$935,861 in financing for the PED operations fund, as compared to the adopted 2003 budget. This financing reduction has been resolved primarily through spending cuts. The department's remaining general fund appropriation will support a newly created Historic Preservation Intern position.

**Police Department:** The general fund budget for the Police department is \$57,884,518 for 2004, compared with \$57,873,482 for 2003. This is an increase in the 2004 police general fund budget from the 2003 adopted budget. The adopted budget allows for full funding of regular salaries and fringes for 562.3 sworn personnel in 2004. However, the adopted general fund budget for the city share of the school resource officer program is less than the 2003 adopted budget in anticipation of the independent school district offsetting this and providing more financial support for this program. The budget includes additional funding to continue the City's participation in the Minnesota Gang Strike Task Force, for the debt service of the new Griffin building lease, to cover increased costs for the police officer clothing allowance, to cover lease costs for a Rice Street storefront, and to continue a basic level of maintenance at the partially vacated Tenth Street public safety buildings. The 2004 budget adjusts the level of permanent sworn personnel from 576.6 FTEs in 2003 to 562.3 FTEs in 2004. The decrease is the result of the Mayor's and Council's 2003 mid-year reductions. The budget relies on some temporary funding to set the sworn complement to 562.3 FTEs in 2004, by applying one or two year funding from Federal (Internet Crimes Against Children, School Resource grant, Recruit Community Police Officers), and State (Gang Strike Force, Juvenile Accountability) sources. The total department FTEs rose from 731.9 in 1997, to 746.1 in 1998, to 752.4 in 1999, to 775.0 in 2000, to 778.9 in 2001, to 781.6 in 2002, including the temporary sworn increase, and to 780.4 in 2003. The 2004 adopted budget has 745.9 FTEs.

**Public Works Department:** The 2004 general fund budget adopted for Public Works is \$5,184,354, a 17.2% decrease from the 2003 adopted budget of \$6,258,961. This budget largely reflects the Mayor's and Council's 2003 mid-year reductions which decreased spending in various areas of the department's budget. The budget also includes new revenues of \$354,905 which are expected to be created from consolidations and collaborative efforts with Public Works and other City departments and/or government agencies.

**Office of Technology:** The former Department of Technology and Management Services has been re-organized to strengthen its focus on technology issues. The Contracts and Analysis, Real Estate, and Risk

Management divisions were moved to other departments and offices. The remaining budget reflects reductions due to the mid-year 2003 plans, with some exceptions: transfer of the City web master position from Public Works to the Office of Technology, and \$84,000 of above-base requests for technology upgrades.

#### **Issues:**

**City Tax Base.** The 2001 State legislature made significant changes to the Minnesota property tax system. Foremost was a change moving the general education tax levy from the local property tax to state financing. Changes in class rates and treatment of commercial and industrial properties affect who pays how much property taxes in Saint Paul. Overall, the market values of all classes of property in Saint Paul are showing increases above inflation. Again, the State legislature continued limiting the market value growth of residential property in the entire state. Over 95 percent of the homes in Saint Paul have their market values limited to the state-prescribed 12 percent annual growth. The limitation will phase out over time (12 percent growth limit through 2004 and 15 percent for pay 2005 through 2007) to mitigate large impacts on residential property.

**State Aid:** State aid is a significant revenue source for the City's general fund. Almost 37 percent of the general fund revenue comes from this source. The future of State paid Local Government Aid (LGA) is a key variable in the City's ability to have resources for basic local government services.

**Fund Balance Reserves:** The growth in fund balance that the City experienced in the recent past may have peaked in 1998. There was a reduction in fund balance in 1999, a moderate growth in 2000, and a slight decline again in 2001 and 2002. As noted above, use of fund balance to hold down taxes has been a planned management action. Due to the timing of financial reporting, actual fund balance information is always two years behind the budget plan approved in December. Although the Office of Financial Services has put in place a consistent system for estimating future fund balances, those estimates are based on a number of assumptions that may or may not occur.

For the 2000, 2001, and 2002 budgets, the amounts taken from general fund balance to finance the annual budget became larger each year. Discipline and control is continuously required or, at some time in the near future, the City may find itself again faced with the same fiscal problems of the early 1980s and 1990s when the reserves were nearly depleted. To that end, the amount of fund balance applied in the 2003 adopted budget was less than what was planned for use in the 2002 budget, and the amount of fund balance applied in the 2004 adopted budget is less than what was planned for use in the 2003 budget. This reverses the growth trend of 2000 through 2002. The amount of fund balance used as financing for the 2004 adopted budget has been limited to only 3.5 percent of the total budget (city government and independent library agency combined). An affordable and managed use of fund balance to hold down property taxes has been used as a planned management strategy.

### **Challenges:**

**Stability of state government finances and aid payments.** Despite significant reductions in many spending areas including LGA already enacted, state finances remain precarious, and therefore the City remains at risk for future reductions or instability in annual aid payments. Measures taken at the state level to ensure balanced and predictable revenues and expenditures into the future would make future budget planning and service delivery more predictable for both citizens and city officials. As a complement or alternative, state authorization of broader local authority for deciding how to raise revenue and what to use it for, would help to better insulate city services from state budget fluctuations, and allow for better local decision-making.

**Containing cost drivers.** The costs the City bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The City must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the City's finances.

**Collaboration and cooperation.** With all Minnesota cities, counties, and school districts sharing fiscal distress with the state government, the need to take advantage of cost savings and/or service improvements through joint efforts with other units of government and with private partners has never been greater. Saint Paul, like all local governments, will be challenged to continually explore new partnerships and ways of doing business in order to continue to ensure that the common customers—the citizens—receive the services they need at a cost they can afford.

# General Fund Budget

General Fund Balances (Revenues & Sources and Expenditures & Uses of Funds)					
	2000 Actual	2001 Actual	2002 Actual	2003 Adopted Budget	2004 Adopted Budget
Beginning Balances	43,225,277	45,598,034	43,723,326	41,606,332	35,641,190
Revenues and Sources					
Transfers In	6,253,893	6,394,120	6,127,135	6,855,942	9,461,732
Property Taxes	43,728,131	43,223,400	40,234,966	42,700,851	41,595,440
Other Taxes	1,224,407	1,226,682	1,019,448	992,260	1,032,640
Licenses and Permits	824,253	830,452	825,604	912,420	884,320
Intergovernmental	79,359,462	82,281,292	87,171,712	85,865,503	60,693,655
Fees, Sales and Services	9,107,707	9,997,805	10,894,816	11,602,111	13,321,194
Franchise Fees	16,303,980	16,842,474	17,839,903	17,516,184	17,730,603
Interest Earned:					
On Investments	3,959,219	4,591,495	3,858,336	2,600,000	2,901,500
On Securities Lending Transactions - (a)	8,801,847	2,116,420	1,195,386	75,000	75,000
Inc (Dec) in Fair Market Value of Investments	2,613,431	1,303,250	1,501,900		
Miscellaneous	657,456	742,759	701,956	353,564	944,560
Total	172,833,786	169,550,149	171,371,162	169,473,835	148,640,644
Expenditures and Uses (b)					
Attorney	4,022,978	4,465,420	4,680,207	5,004,436	5,177,975
Citizen Services	3,001,553	3,550,362	3,633,061	3,899,024	1,089,275
Council	1,998,241	2,016,334	2,107,493	2,218,107	2,216,365
Fire and Safety Services	35,666,116	37,470,391	37,735,550	41,143,912	39,833,158
General Government Accounts - Miscellaneous	15,065,026	8,984,461	7,935,087	7,195,012	5,962,766
Health	0	0	0	0	0
Libraries	10,163,541	10,526,113	11,051,469	11,548,871	0
Executive Administration - (c)	7,671,422	7,998,174	8,039,215	8,004,247	7,485,291
Neighborhood Housing and Property Improvemer	0	0	0	0	2,446,577
Parks & Recreation	23,000,202	24,052,256	24,427,975	22,741,942	21,733,652
Planning and Economic Development	2,127,786	1,318,151	1,097,105	1,233,344	108,483
Police	51,350,931	54,044,836	55,356,250	57,873,482	57,884,518
Public Works	9,616,837	9,856,624	9,723,848	6,258,961	5,184,354
Technology and Management Services - (d)	6,776,879	7,082,689	7,673,403	8,317,639	5,363,083
Fringe Benefits - (e)	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	0	0	0	0	0
Total (d)	170,461,512	171,365,811	173,460,663	175,438,977	154,485,497
Ending Balance					
Reserved	5,535,984	5,533,669	5,613,140	5,900,000	5,900,000
Designated	38,057,799	37,987,718	35,145,424	21,750,000	21,750,000
Undesignated	2,004,251	201,939	847,768	7,991,190	2,146,337
Total (f)	45,598,034	43,723,326	41,606,332	35,641,190	29,796,337

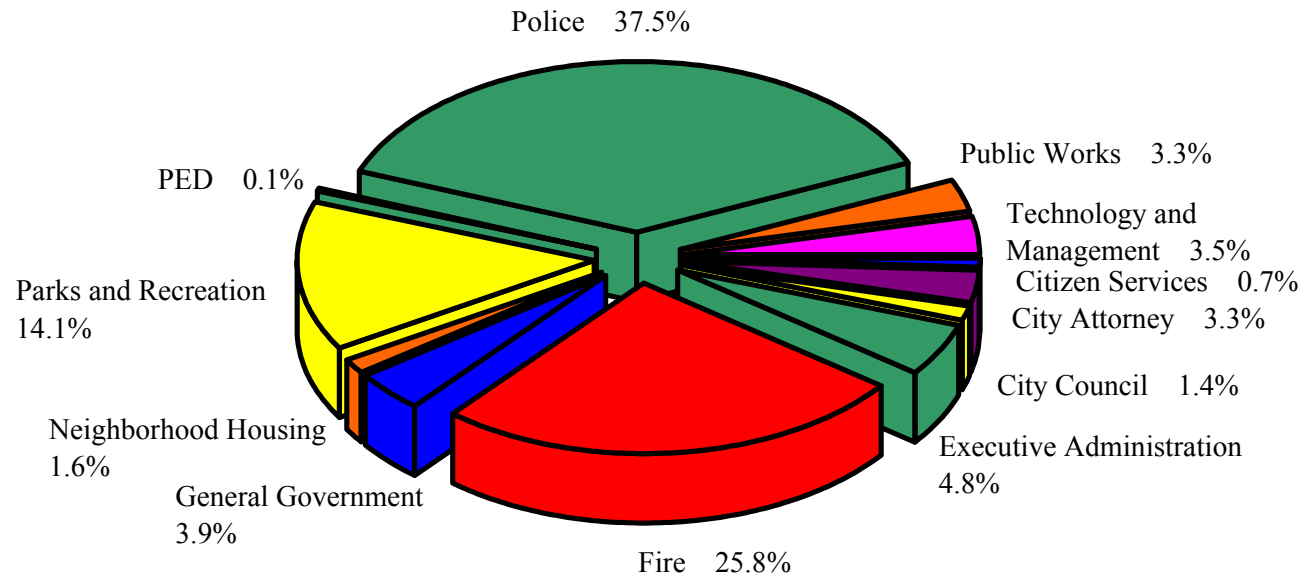
- a) The 2004 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and available.
- b) For 2000 - 2004, no adjustments have been made to the historic expenditures and uses data to reflect any movement of organizational units among and between departments.
- c) Executive Administration includes: Financial Services, Human Resources, Human Rights, License Inspection and Environmental Protection, and Mayor's Office.
- d) The 2003 and 2004 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances".
- e) Prior to 1996, fringe benefits were recorded centrally, and after that they were recorded as amounts in the departments.
- f) Based on the 2000 - 2002 experience, the actual ending total balance for 2003 - 2004 will be greater than the listed budget ending total balance.

## General Fund Budget

General Fund Spending (By Department)			
Department/Office	2002 Actual	2003 Adopted Budget	2004 Adopted Budget
Affirmative Action	241,412	0	0
Attorney	4,680,207	5,004,436	5,177,975
Citizen Services	3,633,061	3,899,024	1,089,275
Council	2,107,493	2,218,107	2,216,365
Financial Services	1,934,405	1,676,549	1,911,085
Fire and Safety Services	37,735,550	41,143,912	39,833,158
General Government Accounts	7,935,087	7,195,012	5,962,766
StP-RC Health	0	0	0
Housing Information	0	0	0
Human Resources	2,104,722	2,895,086	3,010,636
Human Rights	791,509	782,610	532,632
Labor Relations	372,581	0	0
Libraries	11,051,469	11,548,871	0
License, Inspection, and Environmental Protection	1,267,409	1,267,186	735,975
Mayor	1,327,177	1,382,816	1,294,963
Neighborhood Housing and Property Improvement			2,446,577
Parks and Recreation	24,427,975	22,741,942	21,733,652
Planning and Economic Development	1,097,105	1,233,344	108,483
Police	55,356,250	57,873,482	57,884,518
Public Works	9,723,848	6,258,961	5,184,354
Technology and Management Services	<u>7,673,403</u>	<u>8,317,695</u>	<u>5,363,083</u>
Total	173,460,663	175,439,033	154,485,497

# General Fund Budget

## 2004 Spending by Department



## General Fund Budget

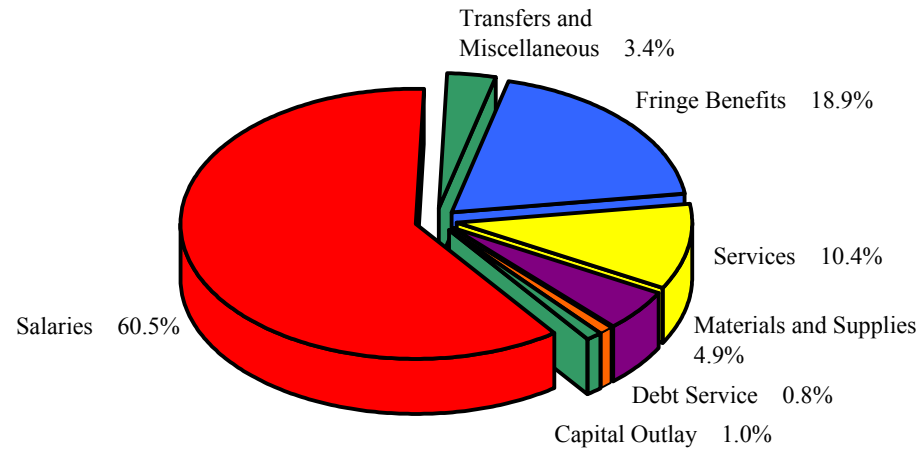
General Fund Spending (By Major Object)			
Object	2002 Actual	2003 Adopted Budget	2004 Adopted Budget
Salaries	101,840,118	106,357,940	93,488,168
Services	19,046,317	19,394,174	16,063,112
Materials and Supplies	9,512,271	9,039,351	7,637,294
Fringe Benefits	29,466,843	31,395,440	29,240,234
Transfers and Miscellaneous	10,306,108	7,188,358	5,191,086
Debt Service	1,090,338		1,255,618
Street, Sewer, Bridge Improvement	0	5,329	5,329
Capital Outlay	<u>2,198,668</u>	<u>2,058,441</u>	<u>1,604,656</u>
Total	173,460,663	175,439,033	154,485,497

General Fund Financing (Revenue By Source)			
Source	2002 Actual	2003 Adopted Budget	2004 Adopted Budget
Use of or (Contribution to) Fund Balance	0	5,965,198	5,844,853
Transfers	6,127,135	6,855,942	9,461,732
Taxes	41,254,414	43,693,111	42,628,080
Licenses and Permits	825,604	912,420	884,320
Intergovernmental Revenue	87,171,712	85,865,503	60,693,655
Fees, Sales and Services	10,894,816	11,602,111	13,321,194
Enterprise and Utility Revenues	17,839,903	17,980,809	18,262,628
Other Revenue Sources	<u>7,257,578</u>	<u>2,563,939</u>	<u>3,389,035</u>
Total	171,371,162	175,439,033	154,485,497

# General Fund Budget

## 2004 Spending By Major Object



## 2004 Revenue By Source

